

**MID-CENTURY INSURANCE COMPANY
P.O. BOX 2478, WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90051**

NAIC COMPANY CODE 21687

**TARGETED MARKET CONDUCT EXAMINATION REPORT
AS OF MARCH 15, 2003**

EXAMINATION LOCATION

**3500 NORTH NEVADA AVENUE
COLORADO SPRINGS, COLORADO 80907**

**PREPARED BY AN INDEPENDENT CONTRACTOR FOR THE
COLORADO DEPARTMENT OF REGULATORY AGENCIES
DIVISION OF INSURANCE**

Janet Sandoval
Independent Market Conduct Examiner
Working in Coordination with the
Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, Colorado 80202
(303) 894-7499

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Prepared by

Janet Sandoval

Independent Contract Examiner

May 14, 2003

The Honorable Doug Dean
Commissioner of Insurance
State of Colorado
1560 Broadway Suite 850
Denver, Colorado 80202

Commissioner Dean:

In accordance with §§ 10-1-203 and 10-3-1106, C.R.S., a targeted examination of selected underwriting and rating practices resulting from open consumer complaints of the Mid-Century Insurance Company's automobile business, has been conducted. The Company's records were examined, in part, at their home office located at 3500 N. Nevada Avenue, Colorado Springs, Colorado, 80907 and at the office of the Division of Insurance.

The examination covered the period from August 1, 2002 to March 15, 2003.

A report of the examination of the Mid-Century Insurance Company is, herein, respectfully submitted.

Janet Sandoval

Independent Market Conduct Examiner

**TARGETED MARKET CONDUCT
EXAMINATION REPORT
OF THE
MID-CENTURY INSURANCE COMPANY**

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COMPANY PROFILE

Mid-Century Insurance, hereinafter referred to as the “the Company,” was organized on December 3, 1949, under the laws of California and began operations on February 17, 1953. The Company is currently licensed in 44 states including Colorado. Mid-Century Insurance was licensed in Colorado on September 18, 1953. The Company is currently authorized to sell the following lines of business:

Fire, marine, Surety, Disability, Plate Glass, Liability, Worker’s Compensation, Common Carrier Liability, Boiler and Machinery, Burglary, Credit, Sprinkler, Team and Vehicle, Automobile, Aircraft and Miscellaneous.

Mid-Century Insurance Company is based in Los Angeles, California and is owned by Farmers Insurance Exchange (80%), Fire Insurance Exchange (17.5%) and Truck Insurance Exchange (2.5%). Farmers Insurance Exchange, Fire Insurance Exchange and Truck Insurance Exchange, along with their subsidiaries, comprise the Farmers Insurance Group, which is based in Los Angeles, California.

In 2002, the Company reported \$135,266,177 in total written premiums for all lines of insurance written out of the Colorado Springs Service Center Operations.

As of December 31, 2001, the direct written premium in Colorado for private passenger auto coverage was \$87,629,000, representing 3.48% of the market share.*

*Data as reported in the Colorado Insurance Industry Statistical Report.

PURPOSE AND SCOPE OF EXAMINATION

This targeted market conduct report was prepared by an independent examiner contracting with the Colorado Division of Insurance for the purpose of auditing certain business practices of insurers licensed to conduct the business of insurance in the State of Colorado. This procedure is in accordance with Colorado Insurance Law §10-1-204, C.R.S., which empowers the Commissioner to supplement his resources to conduct market conduct examinations. The findings in this report, including all work product developed in the production of this report, are the sole property of the Colorado Division of Insurance.

The purpose of the targeted examination was to determine the Company's compliance with Colorado insurance law and with generally accepted operating principles related to underwriting and rating practices as they related to consumer complaints for Private Passenger Automobile and Homeowners insurance. Examination information contained in this report should serve only these purposes. The conclusions and findings of this examination are public record. The preceding statements are not intended to limit or restrict the distribution of this report.

This examination was governed by, and performed in accordance with, procedures developed by the National Association of Insurance Commissioners and the Colorado Division of Insurance. In reviewing material for this report the examiners relied primarily on records and material maintained by the Company. The examination covered a period of the Company's operations, from August 1, 2002 to March 15, 2003.

File review was based on a review of consumer complaints as they related to underwriting and rating issues. Upon review of each file any concerns or discrepancies were noted delivered to the Company for review. Once the Company was advised of a finding, the Company had the opportunity to respond. For each finding the Company was requested to agree, disagree or otherwise justify the Company's noted action. The examination report is a report by exception. Therefore, much of the material reviewed is not addressed in this written report. Reference to any practices, procedures, or files, which manifested no improprieties, was omitted.

An error tolerance level of plus or minus ten dollars (\$10.00) was allowed in most cases where monetary values were involved. However, in cases where monetary values were generated by computer or other systemic methodology, a zero (\$0) tolerance level was applied in order to identify possible system errors. Additionally, a zero (\$0) tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's established policies, procedures, rules and/or guidelines.

Additionally, a \$0 tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's rates, on file with the Colorado Division of Insurance.

EXAMINER'S METHODOLOGY

The report deals only with underwriting and rating issues addressed in consumer complaints for Private Passenger Auto issues and contains information regarding exceptions to the Colorado Insurance Code. The examination included review of the following Company operations:

1. Underwriting and Rating Issues from Consumer Complaints

Certain unacceptable or non-complying practices may not have been discovered in the course of this examination. Additionally, findings may not be material to all areas that would serve to assist the Commissioner. Failure to identify or criticize specific Company practices does not constitute acceptance by the Colorado Division of Insurance. Examination findings may result in administrative action by the Division of Insurance.

EXAMINATION REPORT SUMMARY

The examination resulted in no issues.

Independent Market Conduct Examiner
Janet Sandoval
Participated in this examination and in the preparation of this report